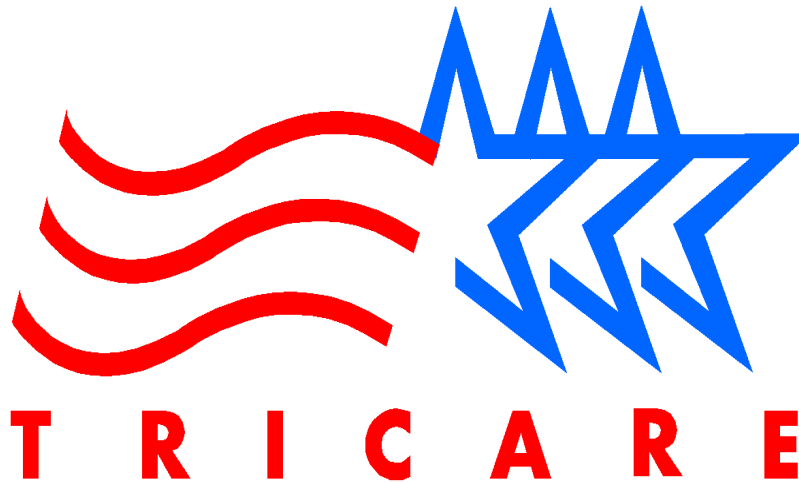
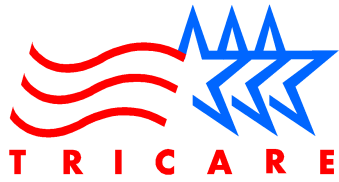




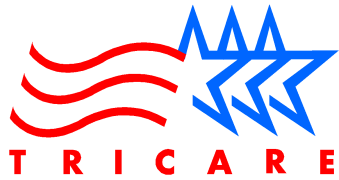
**PRIVATE SECTOR CARE
REQUIREMENTS BUILD
OVERVIEW
AUGUST 2004**

**Prepared by: PSC
Date: 24 August 2**



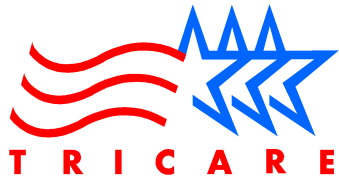
Agenda

- Background and Purpose
- What is Included in the Requirements Build?
- General Discussion
 - Data Influencing the Underlying Healthcare Trend
 - Components of Managed Care Support
 - Components of Non-Managed Care Support (Major and Miscellaneous Programs)
 - Requirements Build Roadmap (See Handout)
- Focus on FY 04 and 05 – Methodology and Data Sources
- FY 04/05 Component Requirements
- Conclusion
- Next Steps



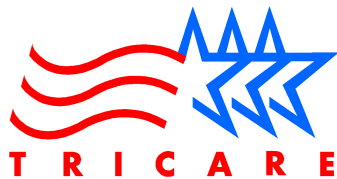
Background

- Private Sector Care (PSC) Requirements and Integration (PSCR&I), Contract Resource Management (CRM) and Kennell and Associates compile and analyze data, monitor underlying private sector healthcare trends, and incorporate contract change orders to estimate and “Build” the total PSC requirement on behalf of the TRICARE Management Activity and the Services.
 - Estimates are prepared quarterly (January, April, August, November)
 - Service input required in order to identify initiatives which may capture care back into the direct care system or other events which may cause increased purchased care costs



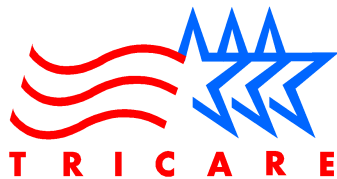
Purpose

- The PSC Requirements Build enables TMA and the Services to:
 - Justify budget, supplemental and Program Objective Memorandum (POM) submissions to OSD/OMB
 - Determine apportionment request and plan for FY execution
 - Revise projections throughout the year and determine if sufficient funds are available to pay all purchased care claims
 - Determine if sufficient funds have been identified to allocate to the Services to pay for MTF-Prime Enrollee and MTF-Enrolled Supplemental Care claims



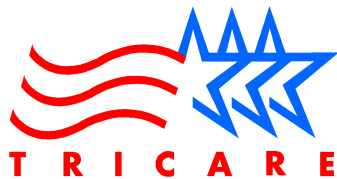
What is Included in the Requirements Build?

- In general, the following items are included as factors effecting the requirements:
 - Managed Care Support Contracts (see slides 6 and 7)
 - Non-Managed Care Support
 - Major Programs (see slide 8)
 - Miscellaneous Programs (see slide 8)
 - Retail and Mail Order Pharmacy
- Additional items may appear in the requirements build such as new items identified in the POM, GWOT estimates (as a separate line item) and savings associated with federal pricing of retail pharmacy filled prescriptions



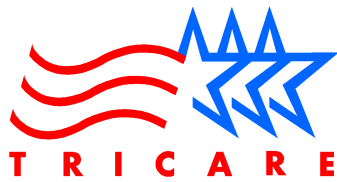
Data Influencing the Underlying Healthcare Trends

- Historical health care costs paid by the contractor (Health Care Service Records and TRICARE Encounter Data)
- Recent and projected trends in private sector employer health plans and the national healthcare sector in general
- Effects of planned changes in the TRICARE program
- Factors are determined to be a one time effect versus ongoing to estimate impact on future year requirements
- User analysis such as numbers of eligible beneficiaries and their changes in volume per service
- Global War on Terrorism (GWOT) excluded from projections
- Pharmacy and non-pharmacy costs trended separately
 - Prescription drug usage and cost per unit exceed non-pharmacy trends
- Medicare eligible population and subsequent Accrual Fund requirements are considered separately and not included in the PSC Requirements Build



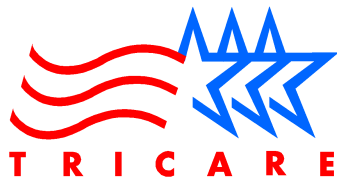
Components of Managed Care Support

- Managed Care Support Contracts
 - Health Care
 - Administrative Costs
 - Bid Price Adjustments
 - Request for Equitable Adjustments
- Next Generation of TRICARE Contracts
 - Health Care
 - Administrative Costs (PMPM, Claim Rate, Disease Management)
 - Requests for Equitable Adjustments
- Undefined but Known Change Orders (UKCOs)
- Miscellaneous Change Orders (change orders occurring in prior years which have an out year funding tail)
- Retail and Mail Order Pharmacy Carved Out



Components of Non - Managed Care Support

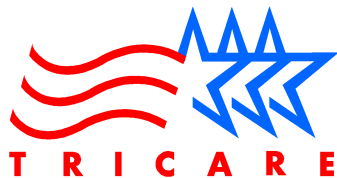
- Major Programs
 - Benefit Programs
 - Supplemental Care (MTF Prime Enrollees and Non-MTF Prime Enrollees)
 - TRICARE Global Remote Overseas
 - TRICARE Prime Remote
 - TRICARE Dental Program/Supplemental Care - Dental
 - Uniformed Services Family Health Plan
- Miscellaneous Programs
 - Other TRICARE Contracts (Marketing and Education, National Quality Monitoring)
 - Continuing Health Education/Capitalization
 - Continued Health Care Benefits Program
 - Various Demonstrations (Expanded Cancer, In-Utero Surgery)



Focus on FY 04 and FY 05 - Methodologies and Data

Sources

- Purchased Care – Underwritten
 - M2 historical data excluding GWOT. Service amounts exclude newborn (<120 days) claims and include Reg 1/2/5 billback amounts (reported by the services). Trended to end of FY 03 enrollment. Alaska claims considered a pass through.
- Supplemental Care - Non-Underwritten
 - M2 historical data excluding GWOT. Trended to end of FY 03 enrollment.
- Other Supplemental Care
 - Historical execution data provided by the Services projected to FY 05.
- MMSO Dental
 - MMSO historical execution and claims data projected to FY 05.
- Region 1/2/5 Revised Financing
 - Projected 1 months of RF funding based on average monthly claims by Service.

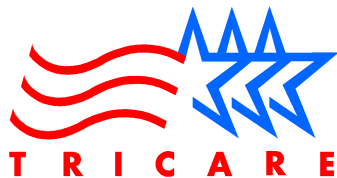


FY 04 Component Requirements

(\$M)

	Army	Navy	Air Force	TMA
Purchased Care - Underwritten Healthcare				
West	14.787	19.931	15.647	127.403
South	9.764	13.160	10.331	123.284
North (Includes Billbacks)	14.347	17.253	13.484	192.810
MTF Enrollees - Alaska Claims	1.360	0.000	2.246	0.000
Subtotal	40.258	50.344	41.708	443.497
Supplemental Care - Non-Underwritten Healthcare				
West	2.943	4.211	3.503	0.000
South	2.255	2.454	3.368	0.000
North	4.124	3.374	1.661	0.000
Subtotal	9.322	10.039	8.532	596.688
Total	49.580	60.383	50.240	1,040.185
Other Supplemental Care				
	25.788	21.370	5.756	0.000
MMSO Dental				
	41.109	15.073	34.730	0.000
Pre TNEX Revised Financing (Reg 1/2/5)				
	171.984	150.689	93.119	0.000

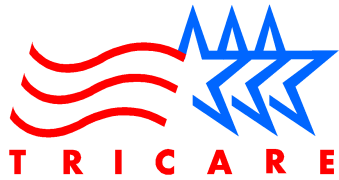
- ❖ TMA amounts reflected above include healthcare claims as well as administrative costs and potential earnings.
- ❖ Numbers identified above are from the August 04 PSC Requirements Build.



FY 05 Component Requirements

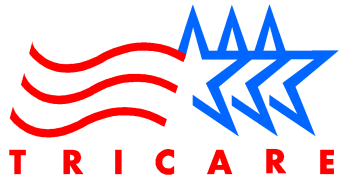
(\$M)	Army	Navy	Air Force	TMA
Purchased Care - Underwritten Healthcare				
West	132.918	112.106	293.923	1,133.712
South	174.894	94.570	271.427	1,552.843
North (Includes Billbacks)	165.153	147.756	90.636	1,222.252
MTF Enrollees - Alaska Claims	7.125	0.000	12.065	0.000
Subtotal	480.090	354.432	668.051	3,908.807
Supplemental Care - Non-Underwritten Healthcare				
West	39.164	25.616	90.376	0.000
South	44.956	45.444	77.596	0.000
North	51.514	39.185	31.191	0.000
Subtotal	135.634	110.245	199.163	209.979
Total	615.724	464.677	867.214	4,118.786
Other Supplemental Care				
	28.599	23.507	6.331	0.000
MMSO Dental				
	32.997	11.658	37.890	0.000
Pre TNEX Revised Financing (Reg 1/2/5)				
	15.243	13.356	8.253	0.000

- ❖ TMA amounts reflected above include healthcare claims as well as administrative costs and potential ea
- ❖ Numbers identified above are from the August 04 PSC Requirements Build.



Conclusion

- Retail and Mail Order Pharmacy carved out of MCS cluster
- Each version of the Requirements Build will reflect certain underlying assumptions based on most recent data and trends
- PSC Requirements Build changed to accommodate the Next Generation of TRICARE Contracts and new program element structure to begin in FY 05
- Service input requested in order to identify factors which may influence overall PSC requirements



Next Steps

- How can the four components improve the requirements build process?
 - What types of information can the Services provide?
 - How can Service input be incorporated?